BALL JANIK LLP

RECORDATION NO. 2155 FILED

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TTORNEYS

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LOUIS E. GITOMER OF COUNSEL (202) 466-6532

August 7, 1998

Honorable Vernon A. Williams Şecretary Surface Transportation Board Washington, DC 20423

Dear Secretary Williams:

I have enclosed the original and one certified copy of the document described below, to be recorded pursuant to 49 U.S.C. §11301.

The document is a Memorandum of Security Agreement, a primary document, dated as of May 21, 1998. Please record this document under the next available Recordation Number. The names and addresses of the parties to the Memorandum of Security Agreement are:

Secured Party/Agent:

NationsBank, N.A. Third and Broadway Pittsburg, KS 66762

Debtor:

Watco, Inc. 1230 South Walnut Street Coffeeville, KS 67337

A description of the equipment covered by the Memorandum of Security Agreement is in Attachement and ALL NOW OWNED OR HEREAFTER ACQUIRED.

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BALL JANIK LLP

Honorable Vernon A. Williams August 7, 1998 Page 2

A fee of \$26.00 is enclosed. Please return the original document to:

Louis E. Gitomer Of Counsel Ball Janik LLP Suite 225 1455 F Street, N.W. Washington, DC 20005

A short summary of the document to appear in the index follows: a Memorandum of Security Agreement between NationsBank, N.A., Third and Broadway, Pittsburg, KS 66762, and Watco, Inc., 1230 South Walnut Street, Coffeeville, KS 67337, covering the equipment described in the Attachement and ALL NOW OWNED OR HEREAFTER ACQUIRED.

Enclosures Logis E. Gito

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Memorandum of Security Agreement

SCHEDULE

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WATCO.	Inc	Sac attached
WAICO.	, Inc	See anacheu
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Generations Holdings, Inc. Pittsburg, Kansas

										_ :
	<pres< th=""><th>ent Road</th><th>حــــا</th><th><man< th=""><th>ufacturer></th><th>Date</th><th><acq< th=""><th>uisition Information></th><th></th><th>-:</th></acq<></th></man<></th></pres<>	ent Road	حــــا	<man< th=""><th>ufacturer></th><th>Date</th><th><acq< th=""><th>uisition Information></th><th></th><th>-:</th></acq<></th></man<>	ufacturer>	Date	<acq< th=""><th>uisition Information></th><th></th><th>-:</th></acq<>	uisition Information>		-:
	Corp	Road	Road	info	rmation	Built or	Last			
	Owner	Initials	#	Model	Serial #(2)	ReBuilt	Class !	From	Date	:
91	WATCO	BLMR	784	GP 35				GE CAPITAL	2/28/94	
92	WATCO	BLMR	790	GP 35				GE CAPITAL	2/28/94	
93	WATCO	BLMR	2606	CF 7			ATSF	ATSF	4/15/87	
94	WATCO	EIRR	782	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	. ::
95	WATCO	EIRR	785	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	
96	WATCO	EIRR	786	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	3.
97	WATCO	EIRR	788	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	٠.,
98	WATCO	EIRR	791	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	
99	WATCO	EIRR	793	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	٠.
100	WATCO	EIRR	798	GP 35		1964	UPR	LIC ASSOCIATES	11/15/93	
101	WATCO	EIRR .	1004	GP 7				VMV	6/5/89	
102	WATCO	EIRR	2204	GP 30		1964	CR	CONRAIL	11/15/93	
103	WATCO	EIRR	2225	GP 30		1964		CONRAIL	12/01/93	
104	WATCO	EIRR	2228	GP 30		1964	CR	CONRAIL	11/15/93	:
105	WATCO	EIRR	2242	GP 30		1964	CR	CONRAIL	11/15/93	:
106	WATCO	EIRR	2274	GP 30		1964		CONRAIL	11/15/93	:
107	WATCO	EIRR	2646	GP 35		1966	NS	WESTERN RAIL	3/10/98	:
108	WATCO	EIRR	3133	SD 45		1964		VMV/EMD	11/18/93	:
109	WATCO	EIRR	3167	SD 45		1964		VMV/EMD	11/18/93	:
	WATCO		3669	GP 35		- 1964	CR	CONRAIL	11/15/93	
	WATCO			SD 45		1964	CNW	VMV	12/22/93	
	WATCO			SD 45		1964	CNW	VMV	12/22/93	
	WATCO			CF 7				ATSF	1992	\$
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April 15	OOTANG	SEKR	103	GP 7			MKT	UPR	Locomotive	Ros
-										
	WATCO		106				MKT	UPR	8/23/89	\$
	WATCO			GP 7			MKT	UPR	6/21/89	5
	WATCO		123				MKT MKT	UPR	7/20/89	\$
	WATCO		143				MK1	UPR	6/2189	s
	WATCO		1001				000	ATSF	400000	\$
	WATCO		1505 1601				CCP	ILL RAILWAY	10/22/96 12/5/96	. S
	WATCO			GP 35			CR	CONRAIL	9/5/94	5
	WATCO			GP 30			KCS	KCS	4/1/92	5
	WATCO			GP 30			KCS	KCS	4/1/92	\$
	WATCO			GP 30			KCS	KCS	4/1/92	Š
	WATCO			GP 30			KCS	KCS	4/1/92	Š
	WATCO		4112				KCS	KCS	4/1/92	s
	WATCO			GP 30			KCS	KCS	4/1/92	s
	WATCO			GP 30			KCS	KCS	4/1/92	5
	WATCO			GP 30			KCS	KCS	4/1/92	\$
	WATCO			SW 12		1948		DEQUEEN & EASTERN		\$
	WATCO			SW 12		1965		ROCK ISL, RR	3/1/85	\$
	WATCO			CF 7			ATSF	ATSF	4/15/87	5
	WATCO		8	SW 10			-	MID AMERICA CAR	10/19/90	5
	WATCO		17	GP 7				VMV	5/22/89	\$
	WATCO			GP 7				VMV	5/22/89	Š
138	WATCO	WATX	55	SW 6				HENNINGSON CO.	10/19/90	\$
	WATCO		104	GP 7			MB	MBRR	3/25/96	5
	WATCO		1002			REB-1975			5/1/97	\$
	WATCO		1592		-		CCP	ILL RAILWAY	10/22/96	\$
	WATCO			GP 20			NS	NFS	4/1/92	\$
	WATCO			GP 20			NS	NFS	4/1/92	\$
	WATCO		2187				ATSF	ATSF	5/30/97	S
	WATCO		6644	SD-18		REB-1980	CNW	MIDWEST METALLICS		. \$
	WATCO		8138	GP 10				CORBIN RAILWAY	6/1/92	\$
147	WATCO	WATX	8712	SW 9		1980		KKX RAIL	12/18/96	. 5

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RECORDATION NO 2/55 FILED

AUG 7 '98

2-54PM

MEMORANDUM OF SECURITY AGREEMENT

This Memorandum of Security Agreement, dated as of May 21, 1998, is by Watco, Inc. (the "Debtor"), and Nationsbank, N.A., as Agent for the Banks pursuant to the Credit Agreement (the "Credit Agreement"), dated as of May 21, 1998, among Generations Holdings, Inc. (the "Borrower"), the Banks listed therein (the "Banks"), and the Agent.

- 1. The Banks have made a loan to the Borrower pursuant to the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including the Debtor). Such loans are secured by the Debtor's assets pursuant to a Security Agreement, dated as of May 21, 1998.
- 2. Pursuant to the Security Agreement Debtor grants to the Banks a lien on and security interest in all of Debtor's right, title and interest in and to the equipment (as defined in the Security Agreement) identified in the Schedule attached hereto and now owned or hereafter acquired, pursuant to Section 2 of the Security Agreement.

IN WITNESS WHEREOF, each of the parties hereto have caused this MEMORANDUM OF SECURITY AGREEMENT to be executed by its duly authorized officer as of the date first above written.

WATCO, INC. as Debtor

By: Chuta R. With Name: Charles R. Webb

Title: President

NATIONSBANK, N.A.

as Agent

By: /// /////
Name: Hiffey G. Ellio

Title: // Vice President

On this 21 day of May, 1998, before me personally appeared Charles A to me personally known, who, being by me duly sworn, says that (s)he is Watco, Inc., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Watco, Inc., and (s)he acknowledged that the execution of the foregoing instrument was the free

act and deed of Watco, Inc.

Jean Bergmain NOTARY PUBLIC STATE OF KANSAS MY APPT. EXPIRES

My commission expires:

On this 2/ day of June, 1998, before me personally appeared Leffrey G. E. to me personally known, who, being by me duly sworn, says that (s)he is the said of Nationsbank, N.A., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Nationsbank, N.A., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Nationsbank, N.A.

Jean Bergmann NOTARY PUBLIC STATE OF KANSAS MY APPT. EXPIRES

My commission expires: $\frac{1}{2}$

Memorandum of Security Agreement

SCHEDULE

WATCO, Inc	 See attached

Generations Holdings, Inc. Pittsburg, Kansas

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	CPres	ent Roa	id ID	Manuf	acturer>	Date	<acq< th=""><th>uisition Information></th><th></th><th></th></acq<>	uisition Information>		
	Owner	Initiak	# #	Model#	Serial #/2\	BUR OF	Class	From	Date	:
۵4					GC(401#(2)	KEDUM	CHASS	CE CADITAL		
31	WATCO WATCO	BLMB	790	GP 35				OF CARITAL	2/28/94 2/28/94	
	WATCO						ATCE	GE CAPITAL ATSF LIC ASSOCIATES	4145/97	
94	WATCO	FIRE	789	GP 35		1964	HDD	LIC ASSOCIATES	11/15/07	• •
95	WATCO	FIRR	785	GP 35 GP 35		1964	1100	LICASSOCIATES	11/15/93	
96	WATCO	FIRR	786	GP 35		1964	LIPP	LICASSOCIATES	11/15/93	
97	WATCO	EIRO	788	GP 35 GP 35 GP 35 GP 35		1964	1100	LIC ASSOCIATES	11/15/93	
98	WATCO	EIRR	791	GP 35		1964	HDD	LICASSOCIATES	11/15/93	
90	WATCO	CIPO	703	GD 35		1964	HDD	LIC ASSOCIATES	11/13/93	•
100	WATCO	EIRO	702	GP 35		1964	UPR	LIC ASSOCIATES	11/13/93	•
101	WATCO	EIDO	1004	CP 7		1504	UFK	210 11000011120	11710100	
107	MATCO	EIDD	2204	GP 30		1064	CD		6/5/89	
102	WATCO WATCO	EIRR	2204	GP 30	•	1904	CR	CONRAIL CONRAIL	11/15/93 12/01/93 11/15/93	
104	WATCO	EIRK	2223	GP 30		1964	CR	CONRAIL	12/01/93	:
105	WATCO	EIDO	7242	GP 30		4004	~=		11/15/93	:
105	WATCO	EIRK	2274	GP 30 GP 30		1904	CR	CONRAIL CONRAIL CONRAIL	11/15/93	:
107	WATCO	EIRA	2646	GP 30		1904	NC	CONRAIL	11/15/93	:
102	WATCO	EIDO	2133	SD 45		1900	NO	WESTERN RAIL	3/10/98 11/18/93	:
100	WATCO	EIRA	3167	SD 45		1064		VMVEND	11/18/93	:
110	WATCO	EIDO	3660	GP 35		- 1064	CD	CONBAIL	11/10/93	
111	WATCO	FIRR	6513	GP 35 SD 45 SD 45 GP 35 SD 45 SD 45		1964	CNIM	CONRAIL CONRAIL WESTERN RAIL VMV/EMD VMV/EMD CONRAIL VMV	11/15/93 12/22/93 12/22/93	
112	WATCO	FIRE	6525	50 45		1964	CNW	1/141/	12/22/33	٠
113	WATCO	ORR	1000	CF 7		1304	CITTA			
114	WATCO	SEKR	102	GP7			MKT.	UPR	1992 8/23/89	ě
1,15,	WATCO	SEKR	103	GP 7					7/20/89 Locomotive	
116	WATCO WATCO	SEKR	106	GP 7			MKT	UPR UPR UPR	8/23/89	\$
117	WATCO	SEKR	. 117	GP 7			MKT	UPR	6/21/89 7/20/89	5
118	WATCO WATCO	SEKR	123	GP 7					7/20/89	2
							MKT		6/2189	
	WATCO							ATSF.		\$
	WATCO						CCP	ILL RAILWAY	10/22/96	2
	WATCO							ILL RAILWAY	10/22/96 12/5/96	2
123	WATCO WATCO	SKOL	2211	GP 35			CR	CONRAIL	9/5/94	2
124	WATCO	SKOL	4101	GP 30			KCS	KCS .	4/1/92	- 5
	WATCO						KCS	KCS	4/1/92	3
	WATCO						KCS	KCS KCS KCS	4/1/92	2
	WATCO						KCS	KUS	4/1/92	•
	WATCO						KCS KCS	KCS	4/1/92	•
	WATCO							KCS KCS	12/5/96 9/5/94 4/1/92 4/1/92 4/1/92 4/1/92 4/1/92 4/1/92 4/1/92	•
130	WATCO	SVOC	4117	GP 30			KCS	KCE	411.02	•
137	WATCO WATCO WATCO WATCO WATCO WATCO WATCO	WATY	-117	SW 12		1948	NC3	KCS KCS DEQUEEN & EASTERN ROCK ISL. RR ATSF MID AMERICA CAR	5/1/82	
132	MATCO	MATY	,	SW 12		1965		DUCK ISI DD	3/1/85	į
134	WATCO	WATY		CF 7		1303	ATCE	ATSF MID AMERICA CAR VMV	4/15/87	•
135	WATCO	WATY		SW 10			A. J.	MID AMERICA CAR	10/19/90	•
132	WATCO	WATY	17	GP 7				VMV	5/22/80	•
137	WATCO	VTAIA	10	CP 7				V/A4V	5/22/03	•
137	WATCO	MALATY	18 55	SWE				LIENNING CON CO	10/10/0	
	WATCO		104	GP 7			MB .	MID AMERICA CAR VMV VMV HENNINGSON CO. MBRR ATSF ILL RAILWAY NFS	3/25/04	
140	WATCO	WATY	1002	CF 7		REB-1975	mo .	ATSE	5/1/07	•
	WATCO					1,50-1919	CCP	II I RAII WAY	10/27/06	•
				GP 20	_		NS	NEC TOTAL	411107	•
142	WATCO	WATY	2000	GP 20			NS	NES	4/1/92 4/1/92	
144	WATCO	WATY	2187	GP 7		•	ATSE	ATSE	5/30/07	
145	WATCO	WATY	EE44	GP 20 GP 7 SD-18		RFR-1980	CNW	MIDWEST METALLING	4/17/08	•
	WATCO					,	J. 171	CORBIN RAIL WAY	6/1/92	•
	WATCO					1980		NFS NFS ATSF MIDWEST METALLICS CORBIN RAILWAY KKX RAIL	12/18/96	5
141	**********	******	J, 12							•

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy to the original Memorandum of Security Agreement dated as of May 21, 1998, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.

Louis E. Gitomer August 7, 1998